

This paper outlines the important contribution of subnational governments to the global transition towards a green economy in the context of poverty eradication and calls for the recognition of their role in a reformed institutional framework

Subnational Governments: Key Actors in the Transition to a Green Economy

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« A green economy is one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In its simplest expression, a green economy can be thought of one which is low carbon, resource efficient and socially inclusive. In a green economy, growth in income and employment should be driven by public and private investments that reduce carbon emissions and pollution enhance energy and resource efficiency and prevent the loss of biodiversity and ecosystem services. These investments need to be catalysed and supported by targeted public expenditure, policy reforms and regulation changes. The development paths should maintain, enhance and, where necessary, rebuild natural capital as a critical economic asset and as a source of public benefits, especially for poor people whose livelihoods and security depend on nature.(...) The concept of 'green economy' does not replace sustainable development, but there is now a growing recognition that achieving sustainability rests almost entirely on getting the economy right. »

United Nations Programme for the Environment UNEP:
“Towards Green Economy: Pathways to Sustainable Development and Poverty Eradication”, February 2011

The International and European Context of the Green Economy

At global level, we are in the middle of a period of deep reflection about how to make the way forward to a green economy. Certainly this is induced by the global financial and economic situation we are in since 2008, but also thanks to the preparatory process of the United Nations Rio +20 Conference on Sustainable Development, which will take place next June 2012. As stated in UNEP's recent report on green economy¹, increasing evidence from the economic, social and environmental points of view justifies the need and opportunity to carry out important efforts by governments, the private sector and our societies in general in order to encourage a green economy

Within the European Union (EU), the adoption and implementation of the Strategy Europe 2020² as the vertebrating axis of the European policy for the future demonstrates the will of European member states to achieve a smart, green and inclusive economy. The priorities outlined by Europe 2020 are : i) smart growth based on knowledge and innovation; ii) green growth capable of ensuring competitiveness while guaranteeing the efficient use of resources, and iii) inclusive growth to encourage the creation of jobs as well as territorial cohesion.

¹ “Towards Green Economy: Pathways to Sustainable Development and Poverty Eradication”, UNEP, February 2011

² COM (2010) 2020 final 03.03.2010 Europe 2020 – A Strategy for smart, sustainable and inclusive growth
http://ec.europa.eu/europe2020/index_en.htm

The Role of Subnational Governments in the Green Economy

Subnational governments have a vital role in the realisation of a green economy in the context of sustainable development and poverty eradication. Subnational governments can also benefit from the opportunities of a green economy by improving their environmental, social and economic conditions and enhancing their environmental assets. They are particularly well placed for identifying the needs and the strengths of their societies in this process thanks to their closeness to the citizens to whom they are liable and accountable.

Either through power-sharing arrangements or constitutional attribution of powers they are often responsible for the development and implementation of laws, policies, strategies and fiscal mechanisms in areas that directly contribute to a green economy and the achievement of sustainable development such as energy, mobility, waste, industry, agriculture, water, land and resource management, climate change mitigation and adaptation, ecological services, education, social inclusion, health, civil protection to environment risks, spatial planning, tourism, technology transfer, public procurement, decentralised cooperation.

Subnational governments encourage flagship initiatives that facilitate the transition towards a green economy and contribute to the economic development, recovery and regeneration of their territories. Some examples of these initiatives are the encouragement of ecoinnovation in the private and associative sectors and via public procurement; the implementation of policies for boosting and consolidating green jobs; the modernisation of the energy and transport sectors on the basis of the development of smart grids and efficiency technologies, and the elaboration of strategies to tackle global change and challenges.

Taking account of this reality, the above mentioned European Strategy Europe 2020 enshrines the fundamental contribution of subnational governments to public policies towards ensuring the effective implementation of the green economy model³.

³ COM(2011)17 final 26.01.2011 Communication on the Contribution of Regional Policies to Sustainable Growth in the Europe of 2020

Subnational Governments Enabling the Transition to a Green Economy

At a wider international level, subnational governments have a significant role in establishing the enabling conditions for a green economy outlined by UNEP's Report (see reference above). Their contribution to these enabling conditions is outlined below in more detail.

Establishing sound regulatory frameworks – Subnational governments have regulatory competences essential to vertebrate their respective territories from the social, economic and environmental point of view. This leads them to elaborating general economic and sustainable development strategies, as well as thematic ones on climate change, waste or social inclusion for instance. Subnational governments have long-track experience in elaborating these strategies in close collaboration with other levels of government and with actors from the academia world, the civil society or the private sector.

Prioritising government investment and spending in areas that stimulate the greening of economic sectors – Thanks to their regulatory, budgetary and often fiscal competences, subnational governments can steer public investment to green a wide range of economic sectors and also influence the market. Competences in the area of public procurement and public provision of services allow subnational governments to incorporate not only economic but also environmental and social parameters in this field. This can set market trends and accelerate the market penetration of certain green services and goods.

Limiting government spending in areas that deplete natural capital - Because of the above-mentioned competences, subnational governments can help national governments phase out subsidies with negative impacts on sustainable development or on the profitability of green investments. Besides, their detailed knowledge of their respective communities is an asset in order to structure subsidy reforms that do not entail negative consequences to the poorest communities.

Employing taxes and market-based instruments to promote green investment and innovation – Subnational governments are able to influence the private sector behaviour through financial incentives and disincentives and green taxation. Often, they do provide incentives to the private sector and forge partnerships with it to accelerate the innovation, development and diffusion of environmentally sound technologies. These mechanisms can encourage long-term investments in infrastructures – for instance in the fields of sustainable mobility and renewable and efficient energy systems – that otherwise would not be viable. At the opposite end,

subnational governments can discourage unsustainable industries and practices by means of restrictive authorisation policies and heavier taxation.

Investing in capacity building, training and education – Subnational governments, like national governments, are well positioned to tap into the reservoirs of engineering and manufacturing firms, as well as academic and research institutions, that are operating within their territories to encourage the sharing of scientific and technological skills and know-how with developing countries. Moreover, subnational governments can enter into cooperation agreements with private sectors companies that hold green or low-carbon technology patents and proprietary rights that can be offered to developing countries.

Moreover, their closeness to citizens and experience in working directly with other stakeholders, gives subnational governments a pivotal position for raising awareness, providing public information on the environmental and social costs of certain practices, giving expert advice and counselling, and involving a wide spectrum of stakeholders in the complex process of changing behaviours and production and consumption patterns.

Besides, it should be highlighted that subnational governments are involved in the international system of development cooperation and hence they orient their public policies in this field towards the Millennium Development Goals. Through development cooperation, subnational governments are privileged hubs for implementing initiatives of co-development, reinforcing skills and capacities of immigrants and deepening democratisation and alignment processes. In conclusion, subregional governments are active part of a new inclusive multilateralism.

Strengthen international governance – Achieving solid social, territorial and environmental cohesion and enhancing links between key actors can only happen by means of multilevel and multistakeholder governance. In order to transition to a Green Economy, an enhanced Global Environmental Governance is an essential tool. Global Environmental Governance constitutes an essential pillar of an efficient institutional framework for sustainable development. Governance, defined as the design and execution of policies, needs to run through all levels: from the local and the subnational, via the national, to the global. Multilevel governance, as a condition for efficient policy making and implementation, implies interaction, synergy and complementarity between all levels.

Recognising the Role of Subnational Governments in a Reformed Institutional Framework

At the Rio Summit in 1992, subnational governments welcomed the structures established by UN entities in order to ensure the dialogue with Major Groups. Since then, all over the world subnational governments have been demonstrating in a number of ways that their contribution and leadership is essential to help achieve the ultimate objectives of sustainable development. The concrete initiatives of subnational governments have significantly evolved over the past years and show that reconciling the three pillars of sustainable development by means of a green economy is feasible and it is actually happening.

20 years after Rio, it is common understanding that the international environmental governance and the institutional framework for sustainable development are now obsolete in terms of their capacity to provide social environmental justice, preserve intergenerational environmental solidarity or eradicate poverty. But the governance is also out-of-date as regards the recognition of the role and full potential of subnational governments in achieving sustainable development.

The roles, skills and experiences of subnational governments in fostering and consolidating sustainable development should be strongly recognised at international level and better supported by national policies and resources. Modern governance should acknowledge that the efforts and initiatives of nation states become stronger when transposed and complemented by subnational governments, as well as by key stakeholders. The important lessons being learnt at the subnational and local levels can often feed into and enhance national policy.

The economic, social and environmental challenges we are facing are crying out for multilevel and multistakeholder governance adapted to the modern times. True multilevel and multistakeholder Global Environmental Governance and Sustainable Development Institutional Framework will help turn the current and emerging environmental issues into opportunities. Such a positive interpretation generates hope and trust; and though it requires strong leadership, it is also in itself an enabler of leadership because it places the ownership of the process in all key stakeholders and levels of government.

Subnational governments call on all national governments and international organisations to **review the framework of the current Major Group for Local Authorities in order to reflect as well the crucial role of subnational governments**. It is worth noticing that, within the Rio Conventions, at their last meeting in October

2010 in Nagoya the parties of the UN Convention for Biological Diversity (UN CBD) adopted Decision X/22 endorsing the Plan of Action for Subnational Governments, Cities and Other Local Authorities. The Decision invites Parties to involve subnational governments, cities and other local authorities when revising their national biodiversity strategies and action plans; and invites subnational governments, cities and other local authorities and their networks to contribute to the implementation of the Plan of Action. Besides, the Plan of Action identifies as partnerships and coordination mechanisms the establishment of Advisory Committees of Cities and of Subnational Governments.

Subnational governments also call on national governments and international organisations to **build upon the current dialogues on the basis of the existing Major Groups and move towards the establishment of new deeper formal “partnerships” with subnational governments and local authorities, based on commitment and accountability.**

At the UNEP Governing Council/Global Ministerial Environment Forum (GC26/GMEF) that took place February 2011 in Nairobi, Kenya, the President's summary of the meeting, as a contribution of UNEP to the preparatory process towards Rio +20, highlighted the urgent need of real reform of the current international environmental governance, as opposed to cosmetic reform; and stated that "local and regional authorities are critical in implementation of agreed national commitments" (paragraph 62 in combination with 45). This recognition has already taken place within the Rio Conventions, not only under the UN CBD as above mentioned, but also during the last Conference of the Parties of the UN Convention for Climate Change (UNCCC) held in December 2010 in Cancun, Mexico. The Cancun Agreement recognised for the first time subnational governments and local authorities as key governmental stakeholders in global climate change efforts. Besides the Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under UNCCC (WG-LCA) contained numerous references to subnational governments and local authorities.



Global commitment of North and South Subnational Governments to Sustainable Development

The **Network of Regional Governments for Sustainable Development, nrg4SD** works tirelessly to champion the work of subnational governments on sustainable development, including climate action. International organisation representing over 600 subnational governments* (namely federated states and regional governments) at the global level; nrg4SD promotes understanding, partnerships and projects in sustainable development and seeks greater international recognition of the important contribution of subnational governments towards sustainable development. Member of the Forum Global d'Associations de Régions (FOGAR), nrg4SD is the voice of FOGAR in the field of sustainable development.

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